Allianz SE

AMB #: 085014 | **AIIN#:** AA-1340026
Associated Ultimate Parent: AMB # 085449 - Allianz SE

Best's Credit Rating Effective Date
September 05, 2019

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Information
Best's Credit Rating Methodology
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Market Segment Outlooks

Financial Data Presented
The financial data in this report reflects the most current data available to the Analytical Team at the time of the rating. Updates to the financial exhibits in this report are available here: Best's Financial Report.

Best's Credit Ratings – for the Rating Unit Members

Financial Strength Rating (FSR)	Issuer Credit Rating (ICR)
A+	aa
Superior	Superior
Outlook: **Stable**	Outlook: **Stable**
Action: **Affirmed**	Action: **Affirmed**

Assessment Descriptors

Balance Sheet Strength	**Strongest**
Operating Performance	**Strong**
Business Profile	**Very Favorable**
Enterprise Risk Management	**Very Strong**

Rating Unit - Members

Rating Unit: Allianz SE | AMB #: 085014

AMB #	Rating Unit Members
002268	AGCS Marine Insurance Company
093686	AWP Health & Life S.A.
078025	AWP P&C S.A.
087997	Allianz Global Corp & Spec SE
093335	Allianz Global Corp & Special
000407	Allianz Global Risks US Ins Co
006830	Allianz Life Ins Co of NA
009417	Allianz Life Ins Co of NY
073713	Allianz Risk Transfer (BM) Ltd
077703	Allianz Risk Transfer AG
085309	Allianz S.p.A.
085449	Allianz SE
002618	Allianz Underwriters Ins Co
002176	American Automobile Ins Co
002177	American Insurance Company
002178	Associated Indemnity Corp
002266	Chicago Insurance Company
002097	Euler Hermes NA Insurance Co.
001892	Fireman's Fund Indemnity Corp
002179	Fireman's Fund Insurance Co
002267	Interstate Fire & Casualty Co
004001	Jefferson Insurance Company
002182	National Surety Corporation

Rating Rationale

Balance Sheet Strength: Strongest

- The consolidated level of risk-adjusted capitalisation of Allianz SE (Allianz) is expected to remain at the strongest level as measured by Best's Capital Adequacy Ratio (BCAR) despite a reduction in the buffer during 2018 due to market movements, share buybacks and dividends.
- Allianz has a sophisticated and conservative capital management approach.
- Strong liquidity and sound asset-liability management, enhanced by the capabilities of the group's asset management division.
- Financial flexibility is considered excellent, due to a track record of strong capital generation, moderate financial leverage, good coverage ratios and a good standing in capital markets.
- Prudent reserving practices and a sophisticated reinsurance programme for tail-risk reduction.

Operating Performance: Strong

- Track record of strong and stable operating performance, demonstrated by a five-year (2014-2018) weighted average return on equity of 10.8% (as calculated by AM Best).
- Diversified earnings profile by line of business and geography. Results are enhanced by asset management and investment income. All three business segments reported strong performance in 2018 and the first half of 2019.
- The property/casualty segment demonstrated a strong performance in 2018, reporting a combined ratio of 94.0% supported by benign natural catastrophe experience, improving expense ratio and continued growth in premiums.
- The life/health segment produced a robust EUR 4.2 billion operating profit although Allianz is experiencing a declining investment margin driven by the low interest rate environment.
- Allianz has a stable level of assets under management (AUM) totaling EUR 2.0 trillion at year-end 2018. With revenues largely AUM-driven, operating profit for asset management was stable at EUR 2.5 billion.

Business Profile: Very Favorable

- Allianz is one of the largest insurance groups in the world, and it has excellent diversification by product and geography, with a mix of property/casualty, life/health and asset management businesses.
- Through its subsidiaries, Allianz group has a leading position in European personal lines and leading global positions in credit insurance, assistance, corporate insurance and asset management.
- Despite a competitive environment, the group maintains leading positions in its core markets, aided by its vast scale, strong brand, technical excellence and diversified distribution. The group has achieved 2.9% average growth in non-life premiums over the last five years (2014-2018).
- Allianz is expected to remain one of the leading groups in the global insurance market, supported by its forward-looking business strategy and its drive to enhance the insurance value chain through digitalisation.

Enterprise Risk Management: Very Strong

- Sophisticated enterprise risk management (ERM) framework embedded throughout the organisation, resulting in a risk-aware culture at all levels.
- Risk strategy and appetite form an integral part of business strategy formulation and planning, supported by forward-looking risk identification and stress testing.
- Allianz is considered to have a relatively high risk profile, which is matched by its excellent risk management tools and capabilities.

Outlook

- The stable outlooks are underpinned by the expectation that risk-adjusted capitalisation will remain at the strongest level as measured by BCAR, supported by conservative capital management and excellent financial flexibility. The insurer is expected to remain one of the leaders in the global insurance market and to continue demonstrating strong operating performance, supported by superior diversification by line of business and geography.

Rating Drivers

- A sustained improvement of operating performance could result in positive rating pressure.
- Significant weakening of risk-adjusted capitalisation could put negative pressure on the ratings.
- A sustained deterioration of operating performance could result in negative rating actions.

Key Financial Indicators

Best's Capital Adequacy Ratio (BCAR) Scores (%)

Confidence Level	95.0	99.0	99.5	99.6
BCAR Score	51.3	39.0	34.0	32.8

Source: Best's Capital Adequacy Ratio Model - Universal

Key Financial Indicators	2018 EUR (000)	2017 EUR (000)	2016 EUR (000)	2015 EUR (000)	2014 EUR (000)
Net Premiums Written:					
Life	23,730,000	24,613,000	24,291,000	24,524,000	25,058,000
Non-Life	48,953,000	47,821,000	47,138,000	46,664,000	44,361,000
Composite	72,683,000	72,433,000	71,430,000	71,188,000	69,420,000
Net Income	7,703,000	7,207,000	7,329,000	6,987,000	6,603,000
Total Assets	897,567,000	901,300,000	883,809,000	848,942,000	805,787,000
Total Capital and Surplus	63,680,000	68,602,000	70,135,000	66,099,000	63,702,000

Source: BestLink® - Best's Financial Suite

Key Financial Indicators & Ratios	2018	2017	2016	2015	2014	Weighted 5-Year Average
Profitability:						
Balance on Life Technical Account (EUR 000)	4,219,000	4,611,000	4,191,000	3,986,000	3,403,000	...
Balance on Non-Life Technical Account (EUR 000)	2,770,000	1,902,000	2,220,000	2,148,000	2,023,000	...
Net Income Return on Revenue (%)	8.2	7.4	7.5	7.2	7.2	7.5
Net Income Return on Capital and Surplus (%)	11.6	10.4	10.8	10.8	11.3	11.0
Non-Life Combined Ratio (%)	94.0	95.2	94.3	94.6	94.3	94.5
Net Investment Yield (%)	2.1	2.4	2.6	2.6	2.8	2.5
Leverage:						
Net Premiums Written to Capital and Surplus (%)	118.7	110.5	106.5	112.7	114.3	...

Source: BestLink® - Best's Financial Suite

Credit Analysis

Balance Sheet Strength

The balance sheet strength of Allianz is underpinned by risk-adjusted capitalisation at the strongest level, as measured by BCAR. The group's high exposure to market risk (interest rate, equity and credit spread risk amongst others) is addressed by conservative capital management and sound asset-liability management practices, enhanced by the capability of its asset managers. Financial flexibility is considered excellent, due to a track record of strong capital generation, moderate financial leverage, good coverage ratios and a good standing in the capital markets. Balance sheet strength is also supported by prudent reserving and a sophisticated reinsurance programme for tail risk reduction. An offsetting factor is some constraints on capital fungibility - a typical regulatory impediment for life insurers - which is, however, mitigated by the group's strategy of maintaining excess liquidity at the holding company.

Capitalisation

The BCAR scores presented under the "Best's Capital Adequacy Ratio Summary" section of this report are based on Allianz's year-end 2018 consolidated audited financial statements.

Balance Sheet Strength (Continued...)

Allianz's risk-adjusted capitalisation (RAC) is expected to remain at the strongest level, as measured by BCAR supported by strong earnings generation and retention. The BCAR scores deteriorated somewhat in 2018 as a result of a reduction in capital and surplus which was driven by a combination of adverse market movements, dividends and share buybacks. However, capital and surplus had recovered strongly at half-year 2019 despite continued buybacks driven by recovery in asset prices and strong internal capital generation. As a result of Allianz's considerable life operations in Europe and the United States, it manages a large balance sheet and is exposed to considerable market risk, which subjects RAC to potential volatility. However, the group's conservative capital management approach, which incorporates significant capital buffers, as well as its prudent risk management practices, reduce the likelihood of RAC falling below the strongest level.

The overall quality of the group's capital is supportive of the strongest balance sheet strength assessment, in spite of the significant volume of soft elements included in adjusted capital and surplus in BCAR, such as a credit for the embedded value of in-force business.

Allianz's dividend policy aims to maintain a payout ratio of 50% of net income, along with a ratchet to keep the dividend per share at least at the level paid in the prior year. Furthermore, Allianz has committed to flexible payment of excess income above that required for external growth. In line with its dividend policy and due to the external growth budget being largely unused, the company implemented several share buybacks in 2018 and 2019, totaling EUR 4.5 billion.

Allianz has a robust record of capital growth over its recent history, with its total capital (including minority interest) increasing at a 10-year compound annual growth rate of 5.5% over the period 2008-2018, after dividends and buybacks. Financial flexibility is considered excellent due to Allianz's track record of successfully accessing capital markets, its moderate debt leverage and good interest coverage ratios. As at 2018 year-end, Allianz held EUR 9.2 billion of senior debt and EUR 13.4 billion of subordinated debt on its balance sheet.

Allianz retains the vast majority of its underwriting risks. The group's outwards reinsurance largely relates to fronting business and to coverage for reduction of peak risks. Outwards reinsurance purchasing is relatively sophisticated and is centralised through Allianz Re, a business unit within Allianz SE.

Sophisticated capital management is a positive factor for the balance sheet strength assessment. Capital management guidelines relating to its Solvency Capital Requirement (SCR) coverage ratio under Solvency II (SII) are published, with the group defining its target range as 180% or higher. According to its guidelines, a fall in the SCR ratio below 160% would trigger an adjustment to group's dividend policy, and a fall below 145% would lead to capital actions. As at the second quarter of 2019 Allianz's SII ratio was above its target range, at 213%.

As a part of the group's capital management strategy, additional capital is maintained at the group level in liquid funds. These funds fluctuate between EUR 4-5 billion and are available to support subsidiaries when their individual RAC is under pressure.

Capital Generation Analysis	2018 EUR (000)	2017 EUR (000)	2016 EUR (000)	2015 EUR (000)	2014 EUR (000)
Beginning Capital and Surplus	68,602,000	70,135,000	66,099,000	63,702,000	52,849,000
Net Income	7,703,000	7,207,000	7,329,000	6,987,000	6,603,000
Net Unrealized Capital Gains (Losses)	-5,230,000	344,000	910,000	-2,997,000	7,176,000
Currency Exchange Gains (Losses)	141,000	-1,986,000	164,000	1,050,000	1,336,000
Change in Equalisation and Other Reserves	-3,396,000	-3,299,000	37,000	306,000	-42,000
Net Change in Paid-In Capital and Surplus	...	...	...	...	59,000
Stockholder Dividends	-3,673,000	-3,661,000	-3,646,000	-3,382,000	-2,716,000
Other Changes in Capital and Surplus	-468,000	-138,000	-758,000	433,000	-1,563,000
Net Change in Capital and Surplus	-4,923,000	-1,533,000	4,036,000	2,397,000	10,853,000
Ending Capital and Surplus	63,679,000	68,602,000	70,135,000	66,099,000	63,702,000
Net Change in Capital and Surplus (%)	-7.2	-2.2	6.1	3.8	20.5

Source: BestLink® - Best's Financial Suite

Liquidity Analysis (%)	2018	2017	2016	2015	2014
Liquid Assets to Total Liabilities	78.6	79.3	78.9	78.5	78.0
Total Investments to Total Liabilities	94.2	93.9	93.7	93.9	93.7

Source: BestLink® - Best's Financial Suite

Balance Sheet Strength (Continued...)

Asset Liability Management - Investments

In line with the geographical split of its insurance business, the majority of Allianz's fixed-income portfolio is invested in European bonds and loans, the vast majority of which are of investment-grade. Allianz's exposure to sovereign bonds issued by Spain, Greece, Ireland, Portugal and Italy has significantly reduced in recent years. Of these countries, Italy and Spain represent the largest exposures with shares of 3.2% and 2.0% respectively of the overall debt instruments portfolio as at year-end 2018.

In AM Best's view, Allianz has ample resources to meet its liquidity needs. The majority of its investment portfolio consists of highly rated fixed income securities, which are easily marketable. Cash flow requirements are constantly monitored on a group-wide basis, and the group's subsidiaries benefit from access to a group-wide cash pooling facility. Allianz's active asset-liability management minimises its liquidity risks.

Composition of Cash and Invested Assets	2018	2017	2016	2015	2014
Total Cash and Invested Assets (EUR 000)	785,426,000	781,768,000	762,698,000	734,786,000	695,572,000
Cash (%)	1.5	1.6	1.3	1.6	1.5
Bonds (%)	60.4	60.8	62.3	61.7	62.5
Equity Securities (%)	6.8	6.9	6.0	5.9	5.6
Real Estate, Mortgages and Loans (%)	14.7	14.1	14.5	15.5	15.9
Other Invested Assets (%)	15.0	15.6	14.9	14.6	13.8
Total Cash and Unaffiliated Invested Assets (%)	98.5	98.8	99.1	99.3	99.4
Investments in Affiliates (%)	1.5	1.2	0.9	0.7	0.6
Total Cash and Invested Assets (%)	100.0	100.0	100.0	100.0	100.0

Source: BestLink® - Best's Financial Suite

Reserve Adequacy

Allianz prudently sets its reserves in line with best market practices. Over the last ten years, P/C reserves for the majority of the group's accident years have developed positively.

Operating Performance

Allianz has a record of strong and stable overall results over an extended period of time, supported by highly diversified operations. Allianz's earnings have a good split across three main activities: property/casualty, life and asset management, and further across 83 operating entities. This diversification of earnings has contributed to the group's stable profitability. Strong profitability is reflected by a five-year weighted average return on equity of 10.8%, as measured by AM Best.

The prolonged low interest rate environment is having a negative impact on Allianz's investment yield, which continues to fall. However, strong performance of its insurance operations partly alleviates pressure to increase risk appetite in order to improve investment yield. Allianz's asset management operations provide solid cash flows and operating profits that are not directly correlated with the results of its insurance businesses.

AM Best expects Allianz to continue to report a strong performance for the foreseeable future. Challenging conditions in one of the group's major markets has the potential to negatively impact the group's overall earnings in the short term, with Europe-wide economic volatility likely to have the largest impact. However, over the longer-term, diversified and uncorrelated revenue streams are expected to support the maintenance of strong and relatively stable earnings.

In 2018, the group reported a profit of EUR 7.7 billion, compared to EUR 7.2 billion in 2017. This translated into a return on equity of 11.6%. This performance was in the upper end of management's target range. This year marked the end of the group's 'Renewal Agenda 1.0' with objectives achieved for earnings-per-share growth (6.2% against a target of 5%) and return on equity (13.2% against a target of 13.2% (based on Allianz's calculation)).

- - Property / Casualty - -

Operating Performance (Continued...)

Allianz's P/C combined ratio of 94.0% in 2018 was stronger than its five-year weighted average of 94.5% and technical profitability increased substantially to EUR 2.8 billion from EUR 1.9 billion in 2017. The group saw improvements in both expense ratio (falling from 28.7% to 28.0%) and loss ratio (falling from 66.5% to 66.0%) resulting in a combined ratio of 94.0% against 95.2% in 2018. The improved loss ratio was driven by better naturally catastrophe experience (0.5% points better than 2017) and a broadly flat attritional loss ratio. It was also supported by favourable pricing developments: Allianz achieved a 1.4% increase in rates on renewals, averaged across all P/C businesses. The expense ratio was driven down by management cost-cutting initiatives, lower acquisition costs and 2.6% growth in gross premiums. Allianz Global Coporate and Specialty (AGCS) continues to be an underperformer for the group, reporting a 101.5% combined ratio for 2018, and a EUR 282 million profit nonetheless. Despite management actions, this subsidiary continues to struggle with a very competitive pricing environment for commercial lines.

- - Life / Health - -

Allianz's L/H operating profit declined slightly to EUR 4.2 billion from EUR 4.6 billion with the key driver being a fall in the investment margin of EUR 0.3 billion affecting the guaranteed savings and annuities business. The group's investment margin has declined from 0.97% in 2017 but remained healthy at 0.87% in 2018. The group's L/H results are heavily reliant on the performance of its business units in Germany, France and the US, which together have accounted for above two thirds of L/H operating profit in each of the past five years. These are distinct mature life markets where the group has a strong and sustainable competitive position.

Persistence of the low interest rate environment is adding negative pressure to the profitability of Allianz's L/H operations. Although the group is actively selling new capital efficient products with lower guarantees, it carries reserves for a large volume of business with material embedded guarantees. The group continues to adjust its business mix to more capital-light products, with the share of guaranteed savings and annuities falling to 18% of new business in 2018 from 24% in 2017.

The group's Value of New Business (VNB) increased by 11% to EUR 2.1 billion in 2018, driven by improvements from most operating entities. The New Business Margin (NBM) increased by 20 basis points to 3.6% in 2018, due to the group's strategy of steering away from traditional savings towards capital efficient products, as well as lower rates of guarantees in the new traditional business.

- - Asset Management - -

The 2018 operating profit for Allianz's Asset Management (AM) division was EUR 2.5 billion, an increase from EUR 2.4 billion in 2018. Assets under management (AuM) was stable at year-end 2018 at EUR 1.961 trillion (2017: EUR 1.960 trillion) with EUR 526 billion of this represented by group assets. The business saw 5% revenue growth, to EUR 6.7 billion, which was mostly AuM-driven; on the other hand, performance fees were down 4% due to weaker market performance.

- - Investment Results - -

In recent years, Allianz has lowered the risk of its fixed income portfolio by actively managing its sovereign bond investments and reducing its investment exposure to the banking sector. At the same time, the group has increased its exposure to real assets (including equities, real estate, infrastructure and renewable energy). Allianz's investment strategy is coordinated by Allianz Investment Management (AIM), which seeks to enhance the group's ability to invest proactively on a global scale. AIM aims to contribute to capital efficiencies by achieving optimum risk-adjusted returns. AIM sets guidelines for the whole group regarding maximum exposure. Of the group's invested assets, approximately 20% are expected to be placed into alternative assets, including real estate, over the medium term. While these assets are generally more risky and are likely to attract higher capital changes than traditional fixed income investments, they allow the group to match their liabilities with assets that generate relatively high returns.

Principally as a result of declining global interest rates, Allianz's investment return (excluding capital gains) declined to 2.4% in 2018 from 2.8% in 2017, continuing a downward trend. This trend is expected to gradually flatten as interest rates bottom-out or edge up in developed markets. Capital gains have been beneficial to Allianz's overall investment return in each of the past 5 years. Although an increase in global interest rates is likely to benefit the group's reinvestment rate, it may have a negative impact on its shareholders' equity in the short term, through unrealised losses on available-for-sale securities.

Financial Performance Summary	2018 EUR (000)	2017 EUR (000)	2016 EUR (000)	2015 EUR (000)	2014 EUR (000)
Pre-Tax Income	10,399,000	10,148,000	10,413,000	10,196,000	8,848,000
Net Income after Non-Controlling Interests	7,462,000	6,803,000	6,962,000	6,616,000	6,222,000

Source: BestLink® - Best's Financial Suite

Operating Performance (Continued...)

Operating and Performance Ratios (%)	2018	2017	2016	2015	2014
Overall Performance:					
Return on Assets	1.0	0.9	1.0	1.0	1.0
Return on Capital and Surplus	11.6	10.4	10.8	10.8	11.3
Non-Life Performance:					
Loss and LAE Ratio	66.0	66.5	65.6	66.2	66.0
Expense Ratio	28.0	28.7	28.7	28.4	28.3
Non-Life Combined Ratio	94.0	95.2	94.3	94.6	94.3

Source: BestLink® - Best's Financial Suite

Business Profile

Allianz maintains a very favorable business profile as a leading global financial services provider, offering life and non-life insurance products, as well as asset management services. It is one of the largest insurance groups in the world, writing gross written premiums of EUR 77.8 billion and total revenues of EUR 130.6 billion against shareholders' equity of EUR 61.2 billion in 2018.

The group's vast scale and substantial global resources stand it apart from all but a small number of global competitors. Revenue and earnings are highly diversified by geography, by operating unit and by line of business. Although developed western insurance markets account for a significant proportion of Allianz's revenue, no single market is critical to its success. Excellent diversification enables the group to withstand challenges as they occur and reduces the likelihood that a disturbance in any particular market will impact its overall financial performance. In 2018, the group's largest markets by revenue were Germany (24%), Western and Southern Europe (32%), USA, 11% and Specialty lines (including AGCS, Euler Hermes and Allianz Partners) (16%). No other single country accounted for more than 5%. Within the majority of developed insurance markets, the group offers a wide range of products, with business often split between life and non-life insurance operations. The United States (US) is a notable exception of this, where the group has a robust position in the life savings sector but is virtually absent from P/C personal lines market. In addition to its insurance operations, Allianz benefits from a strong global asset management platform, which accounted for 5% of its total revenue and 20% of its operating profit in 2018.

One competitive advantage of Allianz lies in its ability to adjust to local markets through high quality local management and internal knowledge sharing. Furthermore, the group has centralised its global product lines and corporate business within AGCS, its global affinity business within Allianz Partners and its global risk accumulation management and reinsurance business within Allianz Re. Centralizing major business functions allows the group to concentrate its expertise and improve efficiencies.

Allianz maintains a leading competitive position in numerous insurance markets around the world and its brand is recognised globally. This is often an advantage for the group's new ventures. The Allianz brand is used for the majority of the group's business, with exception of Euler Hermes (a global credit insurer) and PIMCO (a leading asset manager).

AM Best views Allianz's management quality positively. The competence of management has been demonstrated through a track record of consistent and strong performance, in line with set targets. The group's CEO has been Oliver Bäte since 2014, an existing member of the senior management team who has been with the group since 2009.

During 2019, Allianz entered into two UK transactions: the purchase of L&G's general insurance business and the purchase of the 51% of LV's general insurance business not already owned. These deals have made Allianz the second largest player in the UK general insurance market by gross written premiums (expected to be around GBP 4 billion), resulting in a significant boost to Allianz's business profile. The group now has a major competitive position in the largest European market where it did not previously have a presence.

Having completed its Renewal Agenda (2016-2018) plan, Allianz has announced the key targets of its 2019-2021 plan, Renewal Agenda 2.0. They include: return on equity above 13% (as calculated by Allianz), 5% growth in earnings per share, capital strength above 180% measured by SCR ratio, net promotor score (measuring customer centricity) above 75%, and IMIX above 73%, measuring employee commitment.

Allianz reports three main business segments: Property/Casualty (P/C), Life/Health (L/H) and Asset Management. In 2018, the group's total revenue was split between these segments as follows: P/C 46%, L/H 33%, and Asset Management 20%.

- - Property/Casualty - -

Business Profile (Continued...)

Allianz's P/C division reported gross written premiums (GWP) of EUR 53.6 billion in 2018, an increase of 2.6% from the prior year. Growth was driven by revenues in Germany which saw very strong growth of 4%, Allianz Partners (4.7%) and AGCS (10.5%). The growth in Germany was due to volume growth in motor and property, assisted by rate improvements of around 1.9%. Within AGCS, middle-sized corporates, Allianz Risk Transfer (ART) and liability lines saw good growth, assisted by rate improvements of 1.3%.

Allianz has developed a strong competitive position in many primary P/C insurance markets across Europe, Asia and numerous emerging markets. The combination of excellent diversification and strong competitive positioning allows Allianz to better absorb the impact of insurance cycles in individual insurance markets. Allianz operates as a domestic insurer in all of its major markets, with experienced local management teams.

Allianz's global P/C insurance business is predominantly managed via subsidiaries AGCS, Allianz Partners and Euler Hermes. AGCS is responsible for the group's corporate business and all global insurance lines (such as aviation, energy and marine risks). Although nearly half of AGCS's premium revenue emanates from North America, it has a well-diversified book of business. The business unit has a strong competitive position globally. However, it has been affected by a deterioration in market conditions due to an influx of capacity.

Allianz Partners (previously Allianz Worldwide Partners) consolidates the group's global assistance (for example motor and travel assistance products) and international medical insurance business. Historically, this business has experienced strong profitable growth and Allianz Partners is considered important to the group's strategic vision, due in part to its role in providing complimentary services to Allianz customers to improve overall customer satisfaction.

Euler Hermes offers trade credit insurance on a global basis and is a market leader in its niche.

Growth of Allianz's P/C business is expected to be driven by development of the group's competitive position in mature markets and by expansion in growth markets. Considering the wide scope of Allianz's P/C operations, challenges in individual markets are unlikely to negatively impact the prospects of the overall group.

- - Life / Health - -

Allianz's L/H division registered statutory gross written premiums (SGWP) of EUR 70.5 billion and net earned premiums (NEP) reported under International Financial Reporting Standards (IFRS) of EUR 24.3 billion in 2018. SGWP includes all premium revenue of life operations whereas IFRS figures do not include revenue from capital-light savings products which carry little or no insurance risk. IFRS and statutory figures grew by approximately -3.6% and 4.7%, respectively, compared to the prior year.

The group's life operations have a good level of geographical diversification in spite of some concentration in Europe (around 74% of statutory premium revenue). Germany is the group's most significant L/H market, accounting for 37% of total life division revenue. In Germany the group has an excellent competitive position and benefits from diversification between life (87% of German life revenue) and health insurance (13%). Allianz's other major life insurance markets include Italy (16% of statutory premium revenue), the United States (15%), and France (12%). The group maintains a strong competitive position in each of these markets.

Allianz has focused on reducing its exposure to capital-intensive life insurance products across its portfolio for several years. As a result, in 2018, 44% of present value of new business was attributable to capital-light products, representing growth of 22%. Although there remain significant challenges to overcome, AM Best believes that Allianz is positioning itself well to manage a prolonged period of low interest rates and market volatility.

- - Asset Management - -

Allianz is one of the largest fund managers in the world, with assets under management (AuM) of EUR 2.0 trillion as at 2018 year end. Of the total AuM, a little over one quarter related to assets of the Allianz group, with the remainder being third party assets.

Allianz operates on a global basis with investment and distribution capacities in all major markets. Pacific Investment Management Company LLC (PIMCO) is the group's largest fund manager, accounting for approximately 78% of its third party AuM. The total level of AuM remains stable but is vulnerable to fluctuations relating to foreign exchange and market movements. In 2018 Revenues improved 5.1% to EUR 6.7 billion with the majority (EUR 6.3 billion) relating to AuM-driven rather than performance fees, and therefore more stable over time. Both PIMCO and AGI saw revenue growth: of 3.1% and 9.7% respectively.

Enterprise Risk Management

Allianz has a sophisticated enterprise risk management (ERM) framework that is embedded throughout the organisation. The group's relatively high risk profile is matched by superior risk management tools and capabilities. The risk culture is well-developed and entrenched throughout the organisation. All of the group's operating entities have self-sufficient and appropriate ERM functions, and there is an additional layer of oversight from the group.

The group has well-defined quantitative and qualitative risk appetite statements, covering its solvency and material risk exposures. The risk appetite forms an integral part of the business planning process, which is usually done for three years, translated into financial and non-financial targets, Solvency II ratios and risk limits.

At the core of Allianz's ERM is the internal capital model, which is fully integrated in the group's business strategy and used for key decisions, such as dividend policy, risk and business strategy and asset allocation. The group has a well-defined capital management policy, with associated management actions. A comprehensive stress testing framework substantiates the business strategy, supporting a forward-looking risk assessment approach.

Reinsurance Summary

Allianz has a prudent reinsurance programme in place aimed at controlling its exposure to large and catastrophe losses. Allianz Re, a business unit within Allianz SE, coordinates the reinsurance needs of all subsidiaries across the group and acts as a reinsurer for most subsidiaries. For all P/C treaties (excluding those for natural catastrophe events), operating entities retain premiums in accordance with group guidelines. Ceded business is centralised at the group level and allocated to external reinsurance treaties. The group also maintains a centralised programme for natural catastrophe losses that pools exposures from a number of subsidiaries via internal reinsurance agreements. Allianz uses the external reinsurance market for peak risks in excess of the group's risk appetite. In addition to traditional reinsurance, alternative risk transfer vehicles are used.

Financial Statements

Balance Sheet	12/31/2018 EUR (000)	%	12/31/2018 USD (000)
Cash and Short Term Investments	12,025,000	1.3	13,765,499
Bonds	474,683,000	52.9	543,388,617
Equity Securities	53,598,000	6.0	61,355,775
Other Invested Assets	245,120,000	27.3	280,598,669
Total Cash and Invested Assets	785,426,000	87.5	899,108,559
Reinsurers' Share of Reserves	16,400,000	1.8	18,773,736
Debtors / Amounts Receivable	18,674,000	2.1	21,376,875
Other Assets	77,067,000	8.6	88,221,678
Total Assets	897,567,000	100.0	1,027,480,848
Unearned Premiums	17,763,000	2.0	20,334,017
Non-Life - Outstanding Claims	61,442,000	6.8	70,335,115
Life - Outstanding Claims	11,612,000	1.3	13,292,721
Life - Long Term Business	534,107,000	59.5	611,413,647
Life - Linked Liabilities	115,361,000	12.9	132,058,351
Other Technical Reserves	707,000	0.1	809,331
Total Gross Technical Reserves	740,992,000	82.6	848,243,182
Debt / Borrowings	76,000	...	87,000
Other Liabilities	92,819,000	10.3	106,253,622
Total Liabilities	833,887,000	92.9	954,583,804
Capital Stock	1,170,000	0.1	1,339,346
Retained Earnings	27,967,000	3.1	32,014,944
Other Capital and Surplus	32,096,000	3.6	36,741,575
Non-Controlling Interests	2,447,000	0.3	2,801,179
Total Capital and Surplus	63,680,000	7.1	72,897,043
Total Liabilities and Surplus	897,567,000	100.0	1,027,480,848

Source: BestLink® - Best's Financial Suite
US $ per Local Currency Unit 1.14474 = 1 Euro (EUR)

Income Statement	Non-Life EUR (000)	Life EUR (000)	Other EUR (000)	12/31/2018 Total EUR (000)	12/31/2018 Total USD (000)
Gross Premiums Written	53,636,000	24,315,000	...	77,824,000	89,088,246
	...	...	...	...	...
Net Premiums Earned	48,306,000	23,167,000	...	71,472,000	81,816,857
Net Investment Income	...	13,046,000	2,916,000	15,962,000	18,272,340
Realized capital gains / (losses)	...	4,945,000	820,000	5,939,000	6,798,611
Unrealized capital gains / (losses)	...	-2,465,000	-508,000	-3,014,000	-3,450,246
Other Income	1,765,000	1,548,000	...	3,313,000	3,792,524
Total Revenue	50,071,000	40,241,000	3,228,000	94,017,000	107,625,021
Benefits and Claims	31,864,000	29,645,000	...	61,818,000	70,765,537
Net Operating and Other Expense	15,437,000	6,377,000	151,000	21,800,000	24,955,332
Total Benefits, Claims and Expenses	47,301,000	36,022,000	151,000	83,618,000	95,720,869
Pre-Tax Income	2,770,000	4,219,000	3,077,000	10,399,000	11,904,151
Income Taxes Incurred	...	...	...	2,696,000	3,086,219
Net Income before Non-Controlling Interests	...	...	...	7,703,000	8,817,932
Non-Controlling Interests	...	...	...	241,000	275,882
Net Income/(loss)	...	...	...	7,462,000	8,542,050

Source: BestLink® - Best's Financial Suite
US $ per Local Currency Unit 1.14474 = 1 Euro (EUR)

Related Methodology and Criteria

Best's Credit Rating Methodology, 12/20/2018

Catastrophe Analysis in A.M. Best Ratings, 10/13/2017

Available Capital & Holding Company Analysis, 10/13/2017

Understanding Universal BCAR, 05/23/2019

Additional Rating Types

AM Best assigns Best's Issue Credit Ratings. Refer to the profile page to view current Issue Ratings for Allianz SE (AMB#085449)